

Message Text

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ORIGIN ARA-10

INFO OCT-01 AF-06 EUR-12 IO-10 ISO-00 EB-07 SSO-00 COME-00

AGR-05 INRE-00 SS-15 SP-02 INR-07 NSC-05 NSCE-00

CIAE-00 TRSE-00 RSC-01 /081 R

DRAFTED BY EB/ICD/TRP:PPPILKAUSKAS/ARA/BR:JSLATTERY:DE

APPROVED BY ARA:WGBOWDLER

EB/ORF/ICD:JJINGERSOLL

ARA/BR:RWZIMMERMANN

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O R 291554Z JAN 75

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TO AMEMBASSY BRASILIA IMMEDIATE

INFO AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN SALVADOR

AMEMBASSY ABIDJAN

USMISSION OECD PARIS

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C O N F I D E N T I A L STATE 020591

E.O. 11652: GDS

TAGS: ETRD, EAGR, PFOR, BR

SUBJECT: COFFEE NEGOTIATIONS

REF: (A) BRASILIA 581 (NOTAL); (B) STATE 279663;
(C) STATE 9362; (D) LONDON 492; (E) LONDON 407 (NOTAL);
(F) LONDON 313 (NOTAL); (G) SAN SALVADOR 207;
(H) RAFFAELL-O'DONNELL MEMCON, BEING POUCHED

1. AS OUTLINED IN REFTTEL B, THE U.S. HAS SERIOUS POLICY
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DIFFICULTIES, AS WELL AS DOUBTS ABOUT PRACTICALITY OF IN-

DEXATION. RECENT DEVELOPMENTS WITHIN ICO AND OTHER FORA HAVE DEMONSTRATED TO PRODUCERS THAT OTHER INDUSTRIALIZED COUNTRIES ESPOUSE THAT POSITION EVEN MORE ENERGETICALLY THAN DOES U.S. IN THE DECEMBER, 1974 OECD WORKING PARTY PREPARATORY MEETING FOR THE UNCTAD COMMITTEE ON COMMODITIES, A CONSENSUS WAS REACHED THAT INDEXATION IS ECONOMICALLY UNSOUND AND UNWORKABLE. CONSEQUENTLY, WE BELIEVE U.S. COULD NOT REPEAT NOT REASONABLY BE SINGLED OUT BY BRAZIL OR OTHER PRODUCERS AS RESPONSIBLE FOR POSSIBLE BREAK-DOWN OF NEGOTIATIONS OVER THIS ISSUE. DISCUSSIONS AT THE ICO LONDON MEETINGS BEGINNING JANUARY 6, 1975 HAVE CLEARLY PLACED ALL CONSUMERS IN THE SAME CAMP IN OPPOSITION TO INDEXATION. AS INDICATED IN REFTEL D, WHEN NETHERLANDS AND SWEDEN MADE STATEMENTS EXPLAINING THEIR POSITION PAPERS ON

NEGOTIATING A NEW ICA, THEY FLATLY FORECLOSED ALL POSSIBILITIES OF ACCEPTING INDEXATION, THUS MOVING TO THE FRONT OF THE OPPOSITION. U.S. TACTIC REMAINS ONE OF AVOIDING LEADERSHIP ON THIS ISSUE, AND WE BELIEVE RESPONSE TO SILVEIRA MERELY MAINTAINS U.S. POSITION IN THE MIDDLE OF THE ANTI-INDEXATION CAMP.

2. FURTHER DEVELOPMENTS AMONG PRODUCERS APPEAR TO SHOW GROWING UNDERSTANDING OF PRACTICAL PROBLEMS IN DESIGNING AND IMPLEMENTING INDEXATION. FOR EXAMPLE, IN ITS PROPOSALS FOR A THIRD COFFEE AGREEMENT, OAMCAF (AFRICAN AND MALAGASY COFFEE ORGANIZATION), IN CONJUNCTION WITH THE INTER-AFRICAN COFFEE ORGANIZATION, RULED OUT ANY AUTOMATIC INDEXATION MECHANISM. THE PRESIDENT OF THE SALVADORAN COFFEE COMPANY STATED TO EMBOFFS THAT WHILE HE WILL PRESS FOR THE PRINCIPLE OF INDEXATION AT THE LONDON ICO MEETINGS, HE SEES IT AS AN UNREALISTIC GOAL (REFTEL G). DURING RECENT VISITS TO WASHINGTON THE SYG OF UNCTAD AND A HIGH LEVEL UNCTAD COMMODITY SPECIALIST BOTH EXPRESSED PRIVATE VIEWS THAT PRACTICAL FORMULAE FOR GENERAL COMMODITY PRICE INDEXATION UNLIKELY TO BE WORKED OUT.

3. IN SHORT, NEGOTIATING TACTICS RE INDEXATION HAVE CHANGED SINCE REFTEL (B) AS CONSUMERS OTHER THAN U.S. HAVE TAKEN LEAD IN OPENLY OPPOSING AUTOMATIC INDEXATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, POLICIES, PRICE INDEXES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE020591
Document Source: CORE
Document Unique ID: 00
Drafter: PPPILKAUSKAS/ARA/BR:JSLATTERY:DE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750032-1139
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975019/aaaaaidc.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BRASILIA 581, 75 (NOTA STATE 279663
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by MartinML>; APPROVED <17 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE NEGOTIATIONS
TAGS: ETRD, EAGR, PFOR, BR, US, ICO
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006